

MIDTERM EXAMINATION

Answer any **Four** (take-home option, any **Six**)

General Questions from Daily Assignments

1. Briefly outline the main theories of trade. What are the key elements in each? What particular advantage does comparative advantage have over absolute advantage?
2. Write a brief essay on the various means by which countries restrict trade (Coughlin articles). How do we measure the effects of protectionism? Under what circumstances might we find the benefits of protectionism to exceed the costs?
3. In discussing NAFTA, Robert Hetzel makes a strong case for free trade. What are his basic arguments, and do you find any problem with them? Should his analysis be the basis of United States trade policy? Why or why not?
4. What are the main points made in David Gold's paper (The Theory and Practice of Free Trade)? Do you agree with his line of argument? Why or why not?
5. Allison Butler asks if environmental protection and free trade are mutually exclusive. Why is environmental policy justified? What are some of the implications for trade policy that she draws? Do you agree with her assessment? Why or why not?
6. What is the New Mercantilism as outlined by Charles Wolf? Do you find the New Mercantilists points valid or are they flawed? Explain
7. The United States had a very large trade deficit with Japan in the 1980s? According to Butler, these imbalances were due to macroeconomic rather than microeconomic (trade policy) factors? Explain. Do you find her arguments compelling? Why or why not?
8. Hufbauer (World Trade After Seattle) attempts to size up the direction of world trade policy after Seattle. What direction does he see trade taking? What strategies does he see as likely to improve trade? Do you agree with his assessment? Why or why not?
9. Daniel Rosen has done a detailed study examining the impact of China's accession to the WTO. In particular he asks six questions concerning the impact on the United States? What are these questions and his general findings with regard to each each?
10. Marcus Noland notes that the advent of the WTO offers Washington a number of opportunities. What are these and how does he see trade proceeding in the near future? Do you agree with his assessment? Why or why not?

11. Jeffrey Schott and Jayashee Watal outline decision-making in the WTO. What is this process? The problems associated with it? Their solutions to improve the process?

12 Moran sees globalization as both a threat and an opportunity for United States national security. Briefly outline his proposals to reconcile threat with opportunity? Do feel he has set up an effective set of guidelines? Or has he proposed excessive risks to security simply to take advantage of opportunities for increased efficiencies in the defense industrial base? Explain.

13. Liberman notes that understanding the connection between security and economic cooperation is essential for anticipating the future of both. What are the positions/assumptions of the main schools of thought on this issue (neoliberal vs neorealists)? Based on this article and the evidence presented, which school do you feel has the best explanation for actual trade patterns? Do you find any problems with the arguments presented by Liberman? Explain

14. According to Nelson and Wright, what factors lead to the United States position of technological leadership? Are these factors present today? What are the implications for preserving our technological lead?

15. What was anticipated by the signing of NAFTA? Do things appear on-track? (Bergsten)? What appear to be the main areas of success? Does he find any aspects of the treaty lagging behind expectations?

16. The Economist Survey of Europe (October 23, 1999) raised a number of interesting issues concerning economic developments in that region. Briefly summarize what you consider to be the most important issues covered. Do you agree with the Economist's interpretation of recent events or are do you see some things differently?

17. As outlined by Bergsten what are the more important trends in the world economic system as they pertain to the developing countries? What are some of the policies the developing and advanced countries might pursue to create a better world system for the developing countries?

18. Following Schott, what is the possible scope and coverage of a possible Free Trade Area of the Americas (FTAA)? Do you feel the US would be wise to move ahead in this area or delay action for a while? Why

Trade Issues

19. Daniel Rosen paper on China and the WTO – see question #9.

20. Hufbauer and Rosen outline the main issues surrounding the Permanent Normal Trading Relations (PTNR) with China. What are these issues and the arguments for and against moving ahead with the PTNR? Are you for or against establishing normal trading relations with China? Why?

21. Stokes and Legrain note that the real threat to market liberalization (free trade) comes not from the resurgence of old forms of protectionism, but from a host of new challenges created by the global economy. What is the main thrust of their argument. Do you find their case compelling? Why or why not?

22. Hufbauer article on world trade after Seattle—see question 8.

23. Cline examines some of the arguments contending that international trade and globalization reduce the wages and living standards of American workers. How does Cline address this charge? What evidence does he support to make his case? What are the policy implications of his findings?

24. What is the new Asian Challenge? Fred Bergsten (The New Asian Challenge). The Global implications? Do you agree with his assessment? Why or why not?

25. Pollack (Biotechnology) notes that the U.S. EU dispute over genetically modified organisms (GMOs) is rooted long-standing and largely opposing philosophies of food safety regulation and has significant economic implications for farmers, business and consumers on both sides of the Atlantic. What are the main points made by both sides? Which position do you favor? Why? What type of resolutions would you like to see? Why?

United States Trade/Industry Issues

26. Fingelton (The Forgotten Merits of Manufacturing) feels that manufacturing represents a far surer and more lasting source of prosperity than postindustrial services? What are the main lines of his argument? Do you find them convincing? Why or why not?

27. Mastel and Harig (Temporary Relief from Exports) argue that U.S. policy for responding to economic disruptions caused by imports is sadly out-of-date. What problems do they see with the current laws? How would they rectify the situation? What do you think of their arguments?

28. Kevin Stiroh (Is there a New Economy?) notes that the growing literature on the new economy claims that globalization and computerization are changing the nature of the US economy. What evidence supports this contention? Why does Stiroh argue that the current evidence suggests that it is still too early to tell if a new economy has truly emerged? Do you agree with his conclusion or do you find some of the other arguments more compelling? Why?

29. Olienyk and Caaarbaugh argue that US dominance (Boeing) in the commercial aircraft industry was undone partly because of a belief in the classical notion that pursuing a policy of free trade, even when one's trading partners do not, on balance is beneficial. What are the main points of their arguments? Do you find them convincing or are their other factors that might have affected the situation?

30. Greg Mastel contends that in addition to providing a legal remedy for specific instances of unfair trading, the US steel experience demonstrates the usefulness of

antidumping laws as a safety valve to help defuse political opposition to trade that might otherwise pull apart the world trading system. What are the main points to his argument? Do you agree with his assessment? Why or why not?

Globalization

31. Sachs paper (Twentieth-Century Political Economy: A Brief History of Global Capitalism) traces the emergence of global capitalism. What main developments/events were critical to the expansion of Capitalism during the Twentieth-Century? What major obstacles did capitalism encounter along the way?

32. Peter Temin (Globalization) traces the main developments associated with Globalization in the Twentieth-Century). What main developments/events does he see as critical to the expansion of Globalization? What are the implications for the future?

33. Feinstein (Structural Change in the Developed Countries During the Twentieth Century) traces the process of structural change that occurred during the twentieth century in the leading industrial nations. What are the main patterns of change? The reasons for these shifts? The consequences of structural change and the implications for the less-developed countries following behind this advanced group?

34. Crafts (Economic Growth in the Twentieth Century) assesses the growth patterns of various countries in the Twentieth Century. Briefly summarize his main findings. What key issues does he feel emerge from the observed patterns of growth?

35. Andrea Boltho (The Assessment: The Twentieth Century) raises a number of issues concerning economic developments in the Twentieth Century. What major themes/lessons does the author identify?

Sanctions

36. Hufbauer (Sanctions-Happy USA) raises a number of issues concerning the use of Sanctions by the United States. What are his main arguments? Conclusions? Do you agree with his assessment? Why or why not?

37. Richard Haass (Sanctioning Madness) feels our policy toward economic sanctions needs to be reevaluated? Why? Do you agree with his main arguments? Why or why not?

Richard Haass (Economic Sanctions and American Diplomacy) presents a number of case studies examining the sanctioning experience in various settings. For each of the countries below, write a brief essay on its sanctioning episode. What appear to be the major effects of the sanctions? Main lessons learned?

38. China

39. Cuba

40. Iran

41. The Former Yugoslavia

Western Europe

42. Richard Medley (Europe's Next Big Idea) argues that a European military union will be the next big initiative in Europe. What are his main arguments? Do you agree or disagree with his assessment? Why?

43. Menn Steil and Susan Woodward (A European New Deal for the Balkans) question whether or not the Western countries have an explicit strategy for the Balkans. What are their main arguments? Do you agree with their assessment? Why or why not?

44. Klenknecht and Wengel feels that in the case of Europe the geographic patterns of commodity trade and foreign direct investment are not consistent with the proposition that European economies are experiencing a process of increasing globalization. What do they base this conclusion on? The causes for the patterns they find?

45. Felipe Gonzalez (European Union and Globalization) raises a number of issues concerning the EU and its future. What are these and which do you feel may have the biggest influence on the way Europe evolves in the near future? Why?

46. Jan Fagerberg (The Need for Innovation Based Growth) notes that many in Europe are concerned that the EU is losing ground compared to other, more dynamic parts of the world. What are main areas of concern? Possible solutions?

47. Franco Amatori (European Business: New Strategies, Old Structures) draws some contrasts between European and American businesses. What are these and what is the significance for Europe's future?

48. Migration in Europe is taking on a new importance (A Continent on the Move). What are some of the more important demographic patterns characterizing Europe? The implications for the future? What would you suggest for governmental policy?

49. Briefly summarize the reasons for Europe 1992 (Norman Fieleke paper). What was the background of this initiative and what were its main elements?

Transition Economies

50. Goldman (Reprivatizing Russia) argues that privatization has failed in Russia. What is the basis for this contention? How does he propose to rectify the situation? Do you agree with his assessment? Why or why not?

51. In her interview of Yegor Gaidar Padma Desai (A Russian Optimist) covers a wide variety of topics. What are some of the more important issues and Gaidar's position on them? Do you agree with his views? Why or why not?

52. Contrary to widely held views, Anders Aslund (Russia's Collapse) feels that Russia's economic problems have been caused by reforms that were too slow and only partial. What are his basic arguments and how do they contrast with the conventional

wisdom?. Do you feel he has effectively argued against the theory that Russia's problems stem from the shock of fast and radical reforms? Why or Why not?

53. William Megginson and Stehen Kay (Privatization) examine the promise and perils of privatization. What are some of their main findings/conclusions? According to them what are the best ways to transfer state companies to the private sector?

54. What appear to be the main problems involved in integrating the transition economies into the world economy (Zhen Kun Wang)?

55. Oleh Havrylyshyn and Donal McGettigan also draw some lessons from privatization in the Transition economies? What are the main issues they feel are important in assessing privatization efforts in the region? What went right and what did not?

56. Following Fischer and Easterly, what factors appear to have contributed to the demise of the Soviet economy? Are there any lessons here for other countries?

57. As seen by the IMF (How Far is Eastern Europe from Brussels) what are the main challenges facing the Eastern and Central European countries? What appears to be the best way for them to proceed?

58. What are the main findings of the IMF in "Opening Up and Geographic Diversification of Trade in Transition Economies?" What are the policy implications of these findings?

Developing Countries--General

59. Trace the main arguments made by J. Michael Finger concerning the WTO and the Developing countries. Do you generally agree with his assessment? Why or why not?

60. Razeen Sally (Developing Country Trade Policy Reform and the WTO) examines a series of issues relating to the WTO and developing countries. What do you feel were the most important points raised? Why?

61. Harold James (Is Liberalization Reversible) is concerned that despite its many benefits globalization is unsettling and those who feel most threatened by it may try to turn back the clock. That are some of the arguments made by those who would reverse liberalization? Do you feel these positions have merit? Why or why not?

Middle East

62. Jahangir Amuzegar (Khatami and the Iranian Economy at Mid-term) outlines some of the problems facing the Iranian economy. What are some of these difficulties and the measures adopted by the government to deal with them?

63. Ali Abootalebi provides a broad overview of the Middle Eastern Economies and their development strategies. What are some of the main trends and developments identified by him? What implications do you draw for the future?

64. Until very recently, Saudi Arabia and the other GCC countries were struggling to cope with the effects of lower oil prices and revenues. Following Kevin Taecker, how did these countries adjust to lower revenues? Assuming the oil markets had not firmed up, what would your assessment have been of their economic prospects over the next several years?

65. Alan Richards (The Global financial Crisis and Economic Reform in the Middle East) discusses the likely impact of the current international financial crisis on the trajectory of reform of governments in the Middle East and North Africa. What problems does he identify and the policies designed to deal with them?

66. Hooman Estelami, explains how Iran has responded to U.S. economic sanctions. What measures were taken? Assuming the sanctions are left on indefinitely, do you feel they would greatly impair the country's growth? Why or why not?

67. There has been much speculation about the economic opportunities that would be available in the Middle East after a resolution of the Arab-Israeli conflict. Based on Paul Rivlin's paper, "Trade Potential in the Middle East" does this optimism appear to be borne out? In what manner?

68. Paul Rivlin (Trade Potential in the Middle East) assesses the likely trade patterns that might develop in the Middle East after a resolution of the Arab-Israeli conflict? What are some of the problems he faces in this type of analysis? What are his main findings?

69. Based on Richard Cooper's assessment what are the prospects for world oil markets and political stability in the Persian Gulf region? What are the region's vulnerabilities and how can the probability of disturbances be reduced or mitigated? Does his assessment seem complete and consistent?

70. Amuzegar provides an excellent critique of the US Sanctions on Iran. What does he identify as the main effects of the sanctions. What is his forecast for the future? Do you agree with his assessment? Why or why not?

Latin America

71. Stotsky et al (Trade Liberalization in the Caribbean) document some of the recent economic developments in the Caribbean. What appear to be the more significant developments in this regard? What still needs to be done?

72. Leonardo Cardemil et al note that following a weak performance in the 1980s, the Central American economies experienced a turnaround in the 1990s. To what do they attribute this? How can they best maintain and extend these gains?

73. Nora Lustig and Omar Arias note that the Latin American region has had difficulty in reducing the number of poor people? What seems to be the main problems preventing this? What do Lustig and Arias conclude are the best approaches to deal with the situation? Do their arguments appear sound?

74. Jose Angel Gurria Mexico's current Secretary of Finance and Public Credit outlines some of the measures that have been taken in recent years by his government to strengthen the economy. What are these measures and how does he feel they will assure the country of stable growth in the future?

75. Chile has been one of the major economic success stories of Latin America. What were some of the factors responsible for the country's economic revival?

76. As developed by Bernard Gordon what is the natural market fallacy? What are the implications for regional trade groups in the Americas? Based on his arguments what do you feel is the best trade strategy for the US vis a vis the region? Why?

77. Sebastian Edwards (Latin America's Underperformance), a Chilean has some harsh advice for the region's policy makers. What problems does he see developing? Why are these countries underperforming? What solutions does he propose?

78. Ranis comparison of Asian and Latin American development strategies—see question #89.

Africa

79. What caused Sub-Saharan Africa's marginalization in world trade? What policies would you recommend for the region?

80. Robert Sharer (Trade an Engine of Growth for Africa) proposes a strategy for the African countries to pursue at the next round of WTO trade talks. What is this strategy and how does he feel it will aid the region's economies? Do you agree with his assessment? Why or why not?

81. What are terms of trade shocks and why are they important to many African countries? What appears to determine the duration of the shocks? The policy implications?

82. After Tanzania's economy deteriorated during the 1970s and early 1980s, it took a series of bold steps to liberalize trade. How successful have these efforts been in improving its economic performance, and what lessons can other developing countries derive from Tanzania's experience?

East/South-East Asia

83. Nicholas Crafts examines the sustainability of economic growth in the East Asian economies. What factors appear to influence growth in that part of the world and how do they differ from other regions? What are the implications for the developmental state model? Do you find his assessment compelling? Why or why not?

84. Bergsten—New Asian Challenge—see Question #24.

85. Mathews has noted that the traditional Korean model has outlived its usefulness and needs to be replaced. What was this model and why did it cease to be effective? In what ways might it be reformed?

86. What are the main issues (Noland) involved in assessing the costs and benefits of Korean unification. What are some of the main scenarios that come out of this analysis?

The Economist and Financial Times have had had several excellent surveys of the region. Outline what you consider to be the most important points brought out in:

87. The Economist Survey of South-East Asia (February 12, 2000).

88. The Economist Survey of the Koreas (July 10, 1999).

89. Following Ranis, contrast the development strategies of East Asia with those of Latin America. What are the main differences? The implications for other parts of the world?

Japan

90. Richard Katz (Helping Japanese Economic Reform) surveys the current economic situation in Japan. What major problems does he see? What are some of the options he sees as ways out of the current malaise? What role can the United States play?

91. Y. Yafeh (Corporate Governance in Japan) surveys the Japanese model of corporate governance. What are the key elements in this system, and how does it differ from the American system? What are the strong points of the Japanese system? The limitations?

92. What factors does Michael Porter see adversely affecting the Japanese economy? What does he propose to rectify the situation?

93. What appear to be the main lessons from "Revisiting the Revisionists?"

94. Summarize the IMF assessment of Japan (Japan's Economy Needs structural change). Is the fund's position convincing? What factors might inhibit the changes suggested by the Fund?

95. What appear to be the main lessons from "Revisiting the Revisionists?"

96. Mulgan (Japan: A Setting Sun?) paints a bleak picture of Japan's future. What are the main elements cited by him as chiefly responsible for the country's continued economic underperformance? Do you agree with his assessment? Why or why not?

97. In contrast to Mulgan, Helweg (Japan A Rising Sun) sees Japan as undergoing an economic revolution? What are the key elements cited by her as responsible for the economy's revitalization? Do you agree with her assessment? Why or why not?

China

98. Daniel Rosen China WTO—see question #9

99. Loungani (Comrades or Competitors?) asks whether as a result of China's emergence as a major exporter the "flying geese" paradigm or the "trade competition" paradigm best describes the situation in Asia. What are these paradigms and which one does the data seem to support?

100. The Economist's recent survey of China (April 8, 2000) notes that China looks set to change as much in the next five years as in the past 20. What are the main changes noted in the paper? What factors seem most important in sustaining the current high rate of economic growth?

101. Briefly outline China's recent growth performance. What factors seem to have contributed to this growth (IMF, Why is China Growing So Fast?)?

102. Segal seems to feel that China is consistently overrated as an economy, world power etc. What does he base this argument on? Do you feel his assessment is accurate? Why or why not?

103. Murray Weidenbaum (United States-China-Taiwan: A Precarious Triangle) examines the prospects for future relations between the US, China and Taiwan. What outcomes does he envisage? What factors seem critical in affecting the future relationship between these countries?

India

104. After many years the Indian economy seems poised on the verge of a major economic expansion. What factors appear to contribute to this optimism?